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FISCAL IMPACT REPORT

ORIGINAL DATE 2/14/07
 SPONSOR Nava LAST UPDATED 2/20/07 HB _____
 SHORT TITLE Revise Public Official Mileage Reimbursement SB 922/aSEC
 ANALYST Propst

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	0.0	2,856.6	2,250.7	5,107.3	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB 826

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Department of Health (DOH)
 Department of Transportation (DOT)

SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee amendment inserts “for the prior year” after “rate” on page 5, line 11. The amendment thereby attempts to address DFA’s recommendation that the prior year’s IRS mileage rate would apply if SB 922 is enacted.

Synopsis of Original Bill

Senate Bill 922 would change the Per Diem and Mileage Act to increase payment for mileage in a personal vehicle from its current .32 per mile to track the Internal Revenue Service's standard mileage rate currently at .485 per mile.

FISCAL IMPLICATIONS

The FY08 Executive recommendation for in-state mileage is \$5,540.1 at .32 per mile. Increasing the rate to .485 per mile will cost \$2,856.6 in FY08. Using the same base and an estimated 45¢/mile for FY09 yields an estimated FY09 impact for this proposal of \$2,250.7.

SIGNIFICANT ISSUES

SB 922 raises the mileage reimbursement rate to comport with the rate established by the IRS, currently .485 per mile, as opposed to the current Pier Diem and Mileage Act rate of .32 per mile. DFA notes that current agency budgets were estimated on the .32 figure and, therefore, may face a shortfall in FY08 if SB 922 is enacted.

Mileage Rates	
Calendar Year:	Rate:
2002 IRS Mileage Rate	36.5 cents/Mile
2003 IRS Mileage Rate	36 cents/Mile
2004 IRS Mileage Rate	37.5 cents/Mile
2005 (Jan 1 - Aug 31) IRS Mileage Rate	40.5 cents/Mile
2005 (Sep. 1 - Dec. 31) IRS Mileage Rate	48.5 cents/Mile
2006 IRS Mileage Rate	44.5 cents/Mile
2007 IRS Mileage Rate	48.5 cents/Mile
Likely 2008 IRS Mileage Rate	45 cents/mile
Likely 2009 IRS Mileage Rate	46 cents/mile

SB 922 would increase the payments by agencies to employees using their personal vehicles for work-related travel by 44%. Since SB 922 would take effect for FY08 and FY08 budgets were based upon the .32 per mile figure, agencies may need to find money to fund the difference. Depending upon the size of the agency, this could result in substantial increases for which agencies had not budgeted. Some agencies, such as the Department of Transportation that restrict usage of personal vehicles will face little financial impact while others may be better situated to absorb the increase. Agencies for which the increase would be problematical would have to address their travel needs in different methods (car pooling, changing use of personal vehicles to motor pool vehicles, cutting back on travel, etc.).

DFA expressed the concern that by tying the rate to the Federal rate, future budget requests will be impacted by an authority outside of the State. Although over the long-term, the rates have increased, CY06 was less than CY06 and CY08 is expected to be less than CY07. Another potential issue is that the IRS does not publish the next year’s official rates until the August preceding the calculation year which may not allow sufficient time to use the official IRS rate in the budget development process.

ALTERNATIVES

DFA reports that the proposal would be workable for budgeting purposes if the bill specified using the previous year’s IRS mileage rate.

DUPLICATION

Duplicates HB 826.

WEP/mt:csd